

investment management lawflash

March 4, 2015

New Guidance from the SEC on Gifts to Adviser Personnel

SEC Staff from the Division of Investment Management has issued guidance on receipt of gifts by investment adviser personnel who manage registered funds.

On February 20, the Staff of the U.S. Securities and Exchange Commission's (SEC's) Division of Investment Management issued guidance¹ to highlight the conflict of interest that can arise when persons who do business, or hope to do business, with a fund present fund investment advisers with gifts, favors, or other forms of consideration. The Staff warned that receipt of such items by investment adviser personnel may implicate section 17(e)(1) of the Investment Company Act of 1940, which prohibits an affiliated person of a registered investment company (e.g., an investment adviser) from accepting compensation for the purchase or sale of property from or to the investment company, except in the ordinary course of acting as an underwriter or broker. The Staff acknowledged that investment advisers' codes of ethics commonly address the receipt of gifts but noted that a fund's own compliance policies and procedures must be reasonably designed to prevent the fund and its service providers from violating federal securities laws.

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1. View the guidance at <http://www.sec.gov/investment/im-guidance-2015-01.pdf>.